



LODI CITY COUNCIL

Carnegie Forum

305 West Pine Street, Lodi

AGENDA – SPECIAL MEETING

Date: May 31, 2006

Time: 6:30 p.m.

For information regarding this agenda please contact:

Susan J. Blackston

City Clerk

Telephone: (209) 333-6702

NOTE: All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the Office of the City Clerk and are available for public inspection. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. To make a request for disability-related modification or accommodation contact the City Clerk's Office as soon as possible and at least 24 hours prior to the meeting date.

A. Roll call

B. Regular Calendar

B-1 Presentation of the fiscal year 2006-07 recommended draft budget (CM)

B-2 Establish recruitment salary control point for the position of City Clerk (CM)

C. Adjournment

Pursuant to Section 54956.2(a) of the Government Code of the State of California, this agenda was posted at a place freely accessible to the public 24 hours in advance of the scheduled meeting.

Susan J. Blackston
City Clerk

****NOTICE:** Pursuant to Government Code §54954.3(a), public comments may be directed to the legislative body concerning any item contained on the agenda for this meeting before (in the case of a Closed Session item) or during consideration of the item.**



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Presentation of the Fiscal Year 2006-07 recommended draft budget

MEETING DATE: May 31, 2006

PREPARED BY: City Manager

RECOMMENDED ACTION: Receive presentation of the Fiscal Year 2006-07 recommended draft budget.

BACKGROUND INFORMATION: The recommended draft budget for Fiscal Year 2006-07 will be presented to the Council on May 31st. Attached is the budget transmittal letter that provides an overview of the budget.

FISCAL IMPACT: The All Funds Budget, (the total expenditures from all proposed budgets, General Fund, Enterprise, Internal Services, etc.) is \$203,402,690. The actual expenditures are less than the All Fund figure due to transfers between funds being counted twice. The largest expenditure within the All Funds budget is Electric Utility at \$73,314,000, which represents 37% of all funds the City spent. This is followed by the General Fund, \$44,023,530 that represents 22% of all expenses.

For the second year in a row the General Fund budget is balanced without requiring the use of General Fund reserves.

FUNDING AVAILABLE: Not applicable.

Blair King, City Manager

Attachment

APPROVED: _____
Blair King, City Manager

CITY COUNCIL

SUSAN HITCHCOCK,
Mayor

BOB JOHNSON,
Mayor Pro Tempore

JOHN BECKMAN

LARRY D. HANSEN

JOANNE MOUNCE

CITY OF LODI



BLAIR KING,
City Manager

SUSAN J. BLACKSTON,
City Clerk

D. STEPHEN SCHWABAUER,
City Attorney

CITY HALL, 221 WEST PINE STREET / P.O. BOX 3006
LODI, CALIFORNIA 95241-1910

May 31, 2006

Honorable Mayor and City Council:

Attached for your consideration and adoption is the City Manager's recommended budget for Fiscal Year (FY) 2006-2007. The budget contained herein outlines the proposed programs, projects, services, and activities for the upcoming year along with the revenue and expenditure assumptions required to support these activities.

You will be pleased to note that, for the second year in a row, the proposed recommended General Fund budget is balanced without requiring the use of General Fund reserves. The theme for the previous year's budget (FY 2005-06) was to stop and eliminate the previous rollovers of imbalances to future years. This was accomplished in FY 2005-06, and will be accomplished again in FY 2006-07. The combination of moderate revenue growth, significant restraint in spending, and the application of best contemporary municipal management practices has enabled staff to present to you this balanced budget.

Budget Theme and Principal Objectives

The well-known biblical story of Joseph can be seen as a management parable. In the story, Joseph, who is in prison, provides sage management advice to the Pharaoh. As a result of his insightful advice, he is freed from prison and appointed the Pharaoh's Viceroy. His advice to the Pharaoh? Set aside reserves during good times to have sufficient provisions in the bad times. While most municipal managers adhere to this basic principle, the key to its execution is the ability to discern the good times from the bad. It is difficult to know with assurance if one is in an expanding economy in which case reserves should be built up, or in a retreating economy in which case growth in reserves is minimized.

Although some will debate the point, economic indicators suggest that California and Lodi are in an expanding economy. According to the various media outlets, the State is likely to take in at least \$5 billion more in personal income tax revenues than originally estimated. The Gross State Product, the broadest measure of economic output, grew 5.6% in 2004. According to the U.S. Bureau of Economic Analysis, this was the seventh highest percentage increase in the nation. The number of jobs in California grew last year by 1.6%, the highest rate in several years.

Estimates of Lodi's largest traditional recurring General Fund revenue sources indicate moderate economic growth. Sales tax is expected to increase a conservative 7%, property tax by 11.5%, (due primarily to the end of the growth of ERAF shift), and motor vehicle fees should grow by 7.9%.

However, when the economy is expanding, and one still finds it difficult to increase reserves to minimum prudent standards, meet historic service levels, or adequately fund deferred maintenance and replacement, that is cause for concern. Long standing City policy calls for a minimum of a 15% undesignated reserve for the General Fund. Pursuant to this policy, Lodi should have an undesignated General Fund reserve of approximately \$7 million. The FY 06-07 budget projects a year-end undesignated reserve of \$1.5 million, \$5.5 million below the minimum level. This minimum reserve is needed to respond to natural disasters - let alone what should be reserved to cover budgetary shortfalls between revenues and expenses.

The General Fund is only one of several funds or accounts in which the City should have a greater amount of funds on hand or held in reserve. The current unfunded balance for vehicle replacement is approximately \$7 million. In the March 2006 "white paper" on the City's financial challenges, it was estimated that \$2.86 million additional should be spent on maintenance over the City's current expenditures in order to achieve preferred maintenance levels. Additionally, the City should be setting aside \$2.1 million annually for facilities replacement, which it currently is not doing.

There is no better time than the present to begin to set aside funds to address the City's limited financial reserves.

A goal of this budget is to build reserves while attempting to restore service levels to previous years' standards. This is a conservative budget. By preparing a conservative budget, it protects against the risk of expenses exceeding revenues, but still provides the opportunity, that through conscientious cost control, any year-end variances between projected revenues and expenses, will be favorable and will increase the year-end fund balance.

A step towards establishing adequate reserves for vehicle replacement is made in the FY 06-07 budget. Within the General Fund, \$346,940 has been budgeted as seed money for vehicle replacement and \$473,317 in total for all funds. This represents approximately 5% of the Vehicle Replacement Sinking Fund Target for the General Fund and less than 5% for all other funds. The total number of "rolling stock" units the City has, excluding Transit Fund vehicles" is approximately 260 units. Clearly the City has a significant investment in vehicles that it needs to replace and maintain. The vehicle/equipment master list is included as an exhibit in the budget.

A goal of this budget is to restore staffing. While 24 General Fund positions will be mandated to remain vacant, the number of sworn Police Officers, (with the exception of one detective position and a grant-funded officer), will return to the pre-2005 level, three new Firefighters are proposed to be hired, one per shift, to provide more efficient fire operations. Key management positions in Public Works (Water/Wastewater Superintendent) and Electric Utility (Manager of Engineering & Operations and Manager of Rates & Resources) are proposed to be filled. The Planning Division is proposed to be fully staffed.

A goal of this budget is to emphasize environmental issues. Greater progress is being made in PCE/TCE remediation and funding the above mentioned Water/Wastewater Superintendent position. Although the costs have been encumbered during the previous fiscal year, it is expected that major progress will be made toward the development of a new updated Comprehensive General Plan during the course of FY 06-07. It is hoped that a conceptual Green Belt Separator will come closer to reality this year.

A goal of this budget is public safety. Together the Police and Fire Department represent 52% of the General Fund budget. The Police Department's budget is proposed to increase by \$1,347,000 (10%), and the Fire Department by \$229,000 (2.7%).

Within the context of the allocated Fire Department budget, three new Firefighters and three new Fire Engineer positions are proposed. The costs of the additional Firefighters and Engineers will be directly offset against reductions in the Fire Department's overtime budget.

With the exception of a grant-funded position and a Detective, all sworn Police Department personnel have been budgeted.

This budget shows a reduction in the City's General Fund contribution to private development. General Fund support for the Community Development Department has been reduced by \$50,000.

All Funds

The All Funds Budget, (the total expenditures from all proposed budgets, General Fund, Enterprise, Internal Service, etc.) for FY 06-07 is \$203,402,690. One should note that the City's "true" expenditures are less than the All Funds Budget due to transfers between funds being counted twice. Nevertheless, the All Funds Budget calculation can serve as a valuable measuring standard. The largest expenditure within the All Funds budget is Electric Utility at \$73,314,000, which represents 37% of all funds the City spends. This is followed by the General Fund, \$44,023,530 that represents 22% of all expenses.

The proposed City-wide budget includes 491 full-time positions, of which 43 are mandated vacancies, and approximately 51 full-time equivalent (FTE) positions accounting for approximately 252 part-time employees. In total, the City's total budgeted workforce equals approximately 499 full-time equivalent positions.

A total of 24 previously authorized General Fund positions representing \$1,518,021 in personnel costs will continue to be held vacant for FY 06-07. An additional 19 positions representing \$1,676,117 in costs will be left unfilled in the Electric Utility Department to balance EUD's budget.

The City's capital expenditures are limited. Electric Utility's capital budget is focused on line extensions and improvements to existing substations. Water funds will be spent on capital projects related to PCE/TCE remediation. Approximately \$1,181,000 is projected to be spent in Central Plume remediation. Other plumes account for approximately \$1,914,000 in expenditures, and legal fees are estimated to account for \$2,312,500 in FY 06-07. Wastewater anticipates proceeding with Phase III of the White Slough Project in order to regain 8.5 Million Gallons per Day (MGD) capacity. This will require an approximate \$31 million capital.

Through State Park Bond funds, Parks and Recreation is planning improvements to approximately five parks to include Beckman, Graves, Kofu, Legion, and Peterson Parks.

General Fund debt service payments will total \$1,675,547 to pay principle and interest for the 2002 Certificates of Participation which funded the Police Station, Hutchins Street Square, and downtown capital improvements.

This year it is recommended that the City lower its Self-Insured Retention (SIR) from \$500,000 per incident to approximately \$250,000 per incident via insurance coverage. The City has not updated its SIR since the height of the municipal liability crisis 20 years ago. It is estimated that the City will save no less than \$122,000 with a 13% reduction in its liability reserve while at the same time reducing the City's risk exposure. For the time being, the City will maintain its current balance of \$5.2 million as a reserve for General Liability claims and Workers Compensation.

Increased fuel costs will impinge on the budget. In total, \$540,000 has been budgeted for fuel, \$235,000 (43.5%) more than last year.

General Fund

The proposed General Fund Expenditure Budget is \$44,023,536.

The Police Department is the largest General Fund budget. It accounts for 32% of all General Fund expenditures with a budget of \$14,240,000. This is a \$1,347,000 (10%) increase over the FY 05-06 budgeted expenditures. With the exception of a Detective and grant-funded position, the Police Department has been restored to full funding for all sworn positions. Additionally, pursuant to the Memorandum of Understanding (MOU) between the City and the Police Officers Association of Lodi, a pre-approved salary increase has been budgeted. This accounts for the majority of the Police Department's budget increase. Like many departments, the Police Department provides services through its personnel and personnel costs account for 91.3 percent of the Police Department's budget.

The second largest General Fund budget is the Fire Department with a budget of \$8,592,000, or 20% of the General Fund. This is a \$229,000 (2.7%) increase over the FY 05-06 budget. Of note is the proposal to hire an additional three Firefighters, one for each shift and to promote three Firefighters to Fire Engineer positions. Currently, the Fire Department has 59 authorized public safety positions. This proposal will increase the number to 62 which will provide better coverage and reduce overtime. The net effect upon the Department's budget is zero as the additional full-time personnel costs will be offset through a reduction in overtime costs.

In order to track and account for activities related to emergency preparedness, costs related to emergency preparedness and operations of the City's Emergency Operations Center have been segregated within the Fire Department's budget. The importance of emergency preparedness as an essential City service has increased since 9/11 and last year's devastating hurricanes. The total budgeted for emergency preparedness for FY 06-07 is \$304,400.

The General Fund budget allocation to Community Development will be reduced by \$50,000 to an allocation of \$300,000. The Community Development fund created as a part of the FY 05-06 Budget is projected to have an undesignated reserve at year-end of 07 in the amount of \$47,700. This reduction is intended to reduce the contribution towards subsidizing private development. The total Community Development Department budget is \$2,128,000.

The City is continuing its commitment to provide direct cash support for Economic Development purposes. However, the budget proposes to establish a relationship between the various organizations receiving financial assistance. In total, \$214,603 is proposed. Arts Commission Grants and the Downtown Lodi Business Partnership are proposed to receive an equal amount of \$35,300. The Lodi Conference & Visitors Bureau is also proposed to receive a like base amount. However, the Conference & Visitors Bureau has traditionally received a greater amount.

Now that an assessment is in place it is proposed to reduce the payment over the base amount by equal thirds. For this year, the total recommended contribution to the Conference & Visitors Bureau is \$94,100. Support for the Chamber of Commerce equals a standard membership payment of \$1,903. Fourth of July has been budgeted at \$18,000. The San Joaquin Partnership has a requested a budget allocation of \$30,000; however, if the Council should choose to budget this amount, staff anticipates discussion with the Partnership staff concerning specific work related to Lodi prior to the release of these funds.

Water and Wastewater Funds

Wastewater is projected to have an unrestricted cash reserve as of June 30, 2007 in the amount of \$787,104. Based upon the goal of 15%, Wastewater should have \$6 million of unrestricted cash in reserve.

The Water Fund is projected to have an unrestricted reserve of \$829,000. Based upon the goal of 15%, Water should have nearly \$2 million of unrestricted cash in reserve.

Streets

The FY 06-07 budget shows Streets as its own fund with earmarked revenue sources.

Of note this year is a possible new revenue source for Streets, Proposition 42. In 2002, voters approved an additional gas tax for transportation projects by 70%. However, Proposition 42 contained a provision that allowed the Legislature to divert funds to non-transportation expenses. The State used this provision to divert street and road funds to the State's General Fund. Now, finally, the State is considering restoring Prop. 42 funds. If restored, Lodi is expecting to receive an additional \$261,050 for local streets.

Electric Utility

FY 05-06 was a difficult year for Electric Utility. A necessary rate increase was adopted. Even after the rate increase, revenues were lower than expected and power supply costs continued to be more than budgeted.

I am pleased to report that the FY 06-07 budget is balanced without the use of reserves. However, the Utility will remain short of its financial reserve and liquidity goals. It will need to be closely monitored.

Several steps have been taken to improve the financial prospects of the Utility. Bulk power has been secured for the entire year to increase cost certainty. A total of 19 positions will remain unfilled. New oversight requirements including a quarterly report to the City Council, a management Risk Oversight Committee, and a Risk Management Plan have either been adopted or instituted.

The In-lieu transfer from Electric Utility to the General Fund is no longer a floating percentage of the Utility. In the past, the In-lieu transfer was set by policy at 12%. The current proposed in-lieu transfer for FY 06-07 seeks to limit the amount of funds transferred to more accurately reflect a conservative cost of services calculation. The transfer is approximately \$6,779,000, or a little over 10% of total revenues. The transfer for FY 06-07 is a 3.4% increase over the budgeted in-lieu transfer for FY 05-06.

Personnel

The City delivers services via its personnel assets. Therefore, personnel costs represent a significant cost within the Budget. In total for the General Fund, personnel costs and benefits represent 76% of the General Fund expenditures for FY 06-07. This is a 1% increase over FY 05-06 when personnel and benefit costs represented 75% of General Fund expenditures.

Total FTE positions budgeted to be filled for FY 06-07 are 499. There are 23 positions proposed for changes, addition, or elimination. Of note, are the following positions:

- Three new Firefighters
- Three Firefighters changed to Fire Engineers
- A title change with no impact to pay for the City Planner to Planning Manager
- A title change with no impact to pay by adding Deputy Public Works Director to the City Engineer's title
- The elimination of the Water Conservation Officer position
- The adding of the requirement that the Water Services Manager must be a Registered Engineer

An alternative position was created and filled in FY 05-06 that backfilled the need for the Accounting Manager and the Customer Service and Revenue Manager.

Maintaining frozen positions will still be used as a cost savings device this fiscal year. A total of 43 positions will remain unfilled representing a cost savings of \$3,194,100.

It is expected that the City will enter into new labor contracts with two bargaining units during FY 06-07, Mid-Managers and IBEW. Four other labor contracts are scheduled to expire just prior to the beginning of the fiscal year. Based upon recent precedent, these bargaining units will be asked to extend contracts for one year.

Work Plan and Future Issues

Progress has been made on the Manager's Work Plan. In the area of economic development, wineries are beginning to appear downtown, and the viability of a downtown hotel has been researched. The General Plan update is underway. The purchasing system has been updated. A Council handbook has been adopted. PCE/TCE clean-up is underway. A vehicle replacement program will begin with the adoption of the proposed budget.

The future of the Grape Bowl remains undecided, but a group of dedicated volunteers continue to explore the options available. Based upon the possibility of a development agreement, DeBenedetti Park is expected to have an identified funding source. A new Code Enforcement program has been adopted to provide a broader range of tools to address Code violations.

Of greatest concern is the possibility of a reduction of water rates established to pay for PCE/TCE environmental contamination-related costs. If water rates are rolled back, it is assumed that \$3 million will need to be identified to fund the remediation program. This expense will be borne by the General Fund as there is no other revenue available. Considering that the entire Community Center and Recreation expenditure budget is just over \$3 million, without accounting for the revenue that these programs generate, all expenditures for the Community Center and Recreation could be eliminated and still there would be insufficient resources to pay for a \$3 million annual remediation program cost.

Budget and Finance Committee

On May 18th a draft of the budget, as complete as possible at the time, was presented to the Budget and Finance Committee. The Committee reviewed the basic themes of the budget and was asked to make a recommendation to the Council on the following three questions:

- 1) The amount and distribution of Direct Cash Donations – the Committee endorsed the Manager’s recommendation;
- 2) Should the part-time Youth Commission Liaison position be retained or eliminated – retained;
- 3) Should 6 Firefighters plus 3 Fire Engineers be added to the budget of 3 Firefighters plus 3 Fire Engineers – The Committee favored 3 Firefighters plus 3 Fire Engineers.

Conclusion

This will be a challenging year. There is much to accomplish. Nevertheless, Lodi has many reasons for optimism. Lodi is blessed with involved citizens, good jobs, quality housing, recreational opportunities, and quality public services. I look forward to working with the City Council on the challenges that face us with the confidence that innovative solutions can be crafted to ensure that our city remains vibrant and viable for many years to come.

I would like to thank the City staff that assisted in preparing this budget document. The budget required the assistance and cooperation of all departments; however, Jim Krueger, Janet Hamilton, Kevin Bell, Ruby Paiste, the Finance and the Human Resources staff deserve specific recognition.

Sincerely,

Blair King
City Manager



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Establish Recruitment Salary Control Point for the Position of City Clerk

MEETING DATE: May 31, 2006

PREPARED BY: City Manager

RECOMMENDED ACTION: Establish a recruitment salary control point of \$6,540 per month which allows for a salary range of \$5,932 - \$7,210 per month to be used in recruitment material for a new City Clerk.

BACKGROUND INFORMATION: Attached is a memorandum prepared by Human Resources Management Analyst Babette Davis evaluating the relative differences and similarity of job duties for the Clerk of the cities of Lodi, Davis, Modesto, and West Sacramento. Using the above cities as comparison, taking into account job duties, qualifications, and performance expectations, a competitive salary for Lodi, lies from \$5,932 to \$7,210 per month.

It is recommended that this salary range be used for recruitment purposes and that flexibility be allowed if the Council, upon conclusion of the recruitment process, feels that an exceptionally qualified candidate demands a higher level of compensation. By publishing this salary control point and the salary range, most candidates will have a clear indication of the City's compensation expectation.

FISCAL IMPACT: The proposed salary should allow Lodi to attract an experienced and skilled candidate necessary for municipal operations, yet falls within the City's ability to pay.

FUNDING AVAILABLE: Current City Clerk budget.

Blair King, City Manager

Attachment

APPROVED: _____
Blair King, City Manager

INTEROFFICE MEMORANDUM

TO: BLAIR KING, CITY MANAGER
FROM: BABETTE DAVIS, MANAGEMENT ANALYST
SUBJECT: CITY CLERK – ADJUSTABLE SALARY RECOMMENDATION
DATE: 5/25/2006
CC: JIM KRUEGER, DEPUTY CITY MANAGER/INTERNAL SERVICES DIRECTOR

The following City Clerk matrix is comprised of three survey cities selected by the Lodi City Council. Job specifications utilized for this survey have job duties similar in nature and are considered equivalent on varying scales except for the *City of Modesto. The intent of this survey is to establish a cost control point which allows for an adjustable salary during an offer of employment for the 2006 City Clerk recruitment.

It is recommended that City Council accept and approve the control point of \$6,540 per month which allows for an average salary range of \$5,932 - \$7,210 per month.

	Lodi City Clerk	Davis City Clerk	Modesto City Clerk/Auditor	West Sacramento City Clerk
Salary Range	\$6,572	\$6,264-\$7,614	\$6,651-\$8,314	\$5,600-\$6,806
Education	Equivalent to a Bachelors Degree	Equivalent to High School Diploma	Equivalent to a Bachelors Degree	Equivalent to High School Diploma & 60 college units
Work Experience	3 years of progressively responsible administrative experience.	4 yrs journey level secretarial experience, 2 of the 4 years must include supervisory experience	5 yrs experience in a City Clerk and Auditors office, 2 of the 5 yrs must include supervisory exp.	3 yrs experience in a City Clerk office or a related function
Highly Desirable	Possession of or ability to obtain within two years a Certified Municipal Clerk (CMC) certificate	Bachelors Degree Certified Municipal Clerk (CMC) certificate	Certified Municipal Clerk (CMC) certificate	Certified Municipal Clerk (CMC) certificate
Number of Staff Supervised	2 Deputy City Clerks 1 Administrative Clerk	1 Deputy City Clerk 1 Deputy City Clerk	1 Asst. City Clerk 1 Deputy City Clerk 1 Admin. Asst. II 2 Admin Office Asst I 1 Accountant	1 Records Manager
City Population	65,000	65,000	203,000	40,000

*** The City of Modesto City Clerk also retains the auditor function for the Finance Department. This includes approving and signing checks for accounts payable and payroll, accept and process wage garnishments, stop notices on City projects, claims and summons, review purchase orders, invoices, and records. Recommendation**